

THE ARMY'S RESIDENTIAL COMMUNITIES INITIATIVE REPORT

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Quality Communities for Army Families

The Army Vision pledges to "provide the inspired leadership which celebrates our soldiers and nurtures their families, trains for decisive victories and demonstrates responsible stewardship for the national treasure entrusted to us -- our men and women in uniform...." The Army's Residential Communities Initiative (RCI) is an important part of this promise.

For soldiers and their families, few well-being issues are as important as the communities they live in. As the Army undergoes its transformation to a lighter, leaner, more lethal and more rapidly deployed force, residential communities take on increasing importance. More than 60 percent of our soldiers have families and Commanders have said that our soldiers train better, fight harder and stay in the Army longer when they know that their families are secure and comfortable. For most families, this means residing in safe, well-maintained, and environmentally conscious neighborhoods with the amenities that turn streets of houses into thriving communities. The goal of RCI is to guarantee that soldiers and their families living on Army posts have the quality residential communities many civilians take for granted.

Before RCI, the Army could not make good on such a guarantee. Nearly 80 percent of our family housing units need to be totally renovated or replaced. More than 10,000 Army families are living off post in inadequate housing due to lack of available units on post. Fixing these problems by ourselves would cost the Army over \$6 billion more than is currently budgeted and take several decades to accomplish. We don't have the resources, and we can't wait that long.

With RCI, we don't have to. Through RCI, the Army partners with private developers to build, renovate, manage, and maintain family housing communities on Army posts. The developers provide the capital and expertise; the Army conveys the housing to the

developers and provides long-term leases on the land. The developers receive the Basic Allowance for Housing (BAH) for soldiers living in their units.

The Army benefits by obtaining quality residential communities with little government funding in a fraction of the time it would take to do it ourselves. Developers benefit by receiving a steady stream of rental income in a high-demand, low-risk real estate environment.

RCI History: Unleashing Creativity in the Government and Private Sector

RCI is enabled by provisions included in the Military Housing Privatization Initiative (MHPI), enacted by



Congress in 1996. Under this legislation, the Army can: provide direct loans and loan guarantees to the private sector to create or improve Army family housing; lease or convey family housing units to the private sector; and/or invest in private firms that help solve our housing problems. Furthermore, the Army can help limit private developers' risk by: guaranteeing occupancy levels and rents for leased facilities; providing guarantees against base closures, downsizing, and extended deployments; requiring that soldiers live on post in the units provided by private developers (the Army has so far chosen not to exercise this authority); and mandating that BAH be paid directly to the developer via the "allotment" process -- not yet implemented by the Army.

Moreover, the units constructed under the legislation may be built to local standards, instead of to military specifications and developers may build supporting amenities -- such as community centers, playgrounds, housing offices, and jogging paths -- to help create vibrant military housing communities.

The Army spent more than four years laying the groundwork for RCI. During this time, housing privatization officials educated military leaders and



Army personnel about the need for private sector involvement in Army housing. They helped craft the specific risk-reduction guarantees that would be offered to developers and initiated a pilot project at Fort Carson, Colorado.

In 1999, the Army's housing privatization program received the RCI name. A temporary RCI Task Force was established under the direction of the Assis-

tant Secretary of the Army for Installations and Environment, consisting of government professionals and private sector consultants. Three new pilot projects were initiated -- at Fort Hood, Texas; Fort Lewis, Washington; and Fort Meade, Maryland -- with phased timing to take advantage of lessons learned.

To help attract quality developers, program officials undertook a major project to streamline the procurement process. The Fort Carson experience had shown that the traditional Request for Proposal (RFP) process was too cumbersome and expensive to attract the experienced, creative, well-financed developers needed for the program to succeed on a national basis. In response, the Army adopted the Request for Qualifications (RFQ) process used successfully by several other government agencies. This process has three major advantages over the RFP: responding to it is easy and inexpensive, encouraging high-quality private developers to participate; it allows for quick decision-making; and it allows the private sector to apply its knowledge and experience more flexibly and creatively.

In the RFQ process, the Army outlines its needs for family housing on the post in question. Then the developer



must present its qualifications for the project -- including the backgrounds of the people who will be involved, experience in building and managing projects of similar scale and scope, its preliminary vision for meeting those needs, and financial resources and capabilities.

The developer with the best qualifications works collaboratively with the Army to craft a Community Development and Management Plan (CDMP) that details the housing and supporting facilities to be built, renovated, maintained and operated during the life of the project. Provided the Army and the developer have established a good working relationship, the developer is given approval to implement the CDMP.

Progress to Date

Fort Carson: The Fort Carson privatization project contract was awarded September 30, 1999 to Fort Carson Family Housing LLC. The contract includes renovation of 1,823 family housing units and construction of 840 new units, as well as operation and maintenance of the units for the term of the contract (50 years, with an option to renew for 25 years). As of November 23, 1999, the Army conveyed housing units valued at over \$50 million. Construction,



Town Center Proposed

which began in March 2000, will be phased over the first five years at a cost to the developer of \$200 million. In the first two months of the contract, the developer doubled the size of the maintenance force and opened up more than 200 housing units that were unoccupied due to the maintenance backlog -- just before Christmas and a major troop rotation to the Balkans.

Fort Hood: The Army issued the Fort Hood RFQ on August 6, 1999. On June 28, 2000, Secretary of the Army

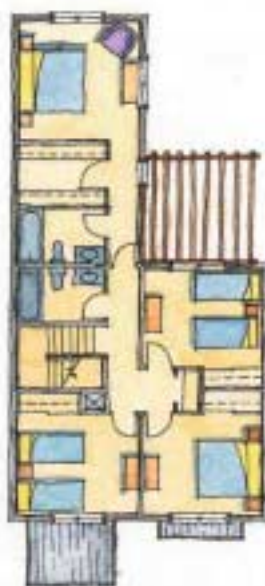
Louis Caldera announced the selection of Fort Hood Military Housing, LP, a joint venture between Lend Lease Actus of Napa, California, and Trammell Crow Residential, of Atlanta, Georgia. The contract calls for this private developer partner to help the Army plan and execute the renovation, replacement, conversion or demolition of the existing inventory of 5,622 units and the construction of as many as 1,149. A total of 5,912 units will be privatized.

Fort Lewis: The RFQ for Fort Lewis was issued on December 10, 1999. On August 29, 2000, Secretary Caldera announced the selection of EQR/Lincoln Fort Lewis Communities, LLC, a joint venture of Equity Residential Properties of Chicago, Illinois, and Lincoln Properties of Bethel Park, Pennsylvania. Under this contract, our Fort Lewis partner will work with the Army to plan and renovate or replace 3,589 existing housing units and build as many as 366 new ones. In total, 3,955 existing units will be privatized.

Fort Meade: Of the four pilot projects, Fort Meade is the only one located in a large metropolitan area (near Baltimore and Washington, DC). At Fort Meade, the Army intends to privatize 2,862 units; renovate or replace 2,600 of these units; construct as many as 308 new units; and turn over Army Family Housing operations and management to



LEVEL 1



LEVEL 2

a developer. The Fort Meade RFQ closed on July 31, 2000 and remains in process.

Lessons Learned

At each pilot project, we have learned lessons that helped us improve the process for the next. The Army intends that these lessons will continue to inform all future Army housing privatization initiatives.

For example, in the pre-award phase we have learned that installations must ensure sufficient focus on schools and infrastructure upgrades, and that installation Commanding Generals must become personally involved in resolving impact aid and taxation issues with local and state authorities. We have also learned that the closing process is complex and may need modification. During the transition phase, keeping the post's leadership, soldiers, families, and surrounding community well informed is key to achieving the necessary support for change. Follow-on RCI sites will have robust public affairs programs.

In addition, the applicability of certain requirements of the Joint Ethics Regulations came into question at Fort Carson; this is being reviewed by the Office of General Counsel. Another Fort Carson issue being reviewed involves historic properties: much of the Fort Carson inventory will be more than 50 years

old when the renovation program is implemented. We must ensure that our RCI activities are appropriate for these older homes. We have also learned that the "allotment" rent collection method worries and confuses many soldiers. While we can't change this method quickly, the Assistant Secretary of the Army for Financial Management is reviewing the issue.

authority for an RCI program has been extended, but not yet made permanent.

The RCI Task Force is also seeking authorization to transfer dollars from the Military Personnel, Army (MPA) account to the Army Family Housing (AFH) account -- and vice versa -- when projects are actually executed, as opposed to trying to estimate transfer dates several years out. Transferring funds prematurely takes dollars away from ongoing family housing operations. We are also seeking to expand the program's definition of "ancillary facilities." Doing so will, we hope, attract additional private sector funding and expertise, as well as improve services for soldiers and their families. Finally, the existing RCI organization hopes to form the nucleus for a central organization to deal with privatization in other Army functions.

Taken together, the four RCI/Army housing privatization pilot projects

account for almost 15 percent of Army family housing in the United States. These projects should provide our soldiers a dramatic improvement in the quantity and quality of our on-post housing within a few years. The RCI Task Force is grateful to all the people who have helped harness the power of private sector capital and expertise for the good of Army soldiers and their families. The legacy of their efforts will be world-class Army housing communities of which the whole Nation can be proud.



What's Next?: The Future of RCI

The Department of Defense intends to eliminate inadequate housing for Service Members by 2010. For the Army to meet this goal, RCI must be expanded: 16 additional sites are recommended in the Army Family Housing Master Plan by 2005. In addition, a permanent RCI organization must be established to attract quality professionals, keep quality consistent, and ensure the program will be completed on time. Legislative